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BUSINESS CONDITIONS

Vol. 6 No. 5

May, 1933

GENERAL OUTLOOK	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON
MONEY AND CREDIT	Current expansion of business will probably be followed by some reaction; fallacious Governmental measures may have to be overcome before business stages prolonged revival (May 13).	Four chances out of five when revival gets under way, business will soar back toward normal with rush (May 15); Industries Recovery Bill will succeed (May 22).	National Recovery Bill offers encouragement to industry. Appears to be better than fifty-fifty chance that recent improvement is beginning of new cycle of business (May 22).	Picture of general trade conditions being developed, indicative of broad and sustained rise in business (May 12). Trade recovery will continue through normally quiet Summer months (May 19).
SECURITY MARKETS	Not improbable that suspension of gold by England marked first step in worldwide revision of concept of gold standard; return to gold probable but return to standard of pre-war days unlikely (May 13).	Thus far, inflation more talk than action; possibilities must be recognized as vitally important element in money market; pronounced lift in business would check sag of interest rates (May 8).	Any direct currency inflation would ultimately defeat own end (Apr. 24). Widespread belief that action will, at least in immediate future, be along lines of credit expansion only (May 15).	Statement of Federal Reserve shows further improvement; questionable if President will use any currency expansion and dollar dilution powers other than expanding Federal Reserve bond holdings (May 19).
PRODUCTION	Anticipation of loss of dollar purchasing power probably prime influence in stronger security price trend (Apr. 20); concentration on better class of second grade bonds advised (May 18).	Broadening business will carry all groups of stocks higher; investors advised to buy sound medium grade bonds; bear market has definitely passed into history (May 15 & 22).	Should near-term trends justify conclusion that new cycle in business has gotten under way, then heavy purchases of common stocks on next substantial market setback advisable (May 22).	Numerous minor corrective reactions during advance in stocks; appears that sound "technical" position of market has been maintained and that next major price movement will be upward (May 19).
DISTRIBUTION	Automobile output at new high peak for year; electricity output now 2.2% higher than year ago while steel production has risen from 31% to 35% of capacity (May 20).	Government to modernize anti-trust laws and otherwise help industry; among industries which will benefit are oil, tire, steel, textile, cement, dairy, copper, paper, lumber, coal (May 15).	Seasonal tendencies will militate against further improvement in steel and automobile industries, which have led recent rally of business, although Summer let-down may be moderate (May 22).	Oil industry and copper mining are in position to reap important benefits from power to modify anti-trust laws which is proposed to grant the President (May 19).
BUILDING	April department store sales showed sharp expansion (May 13); carloadings during first week of May only 1.9% smaller than year ago but showed reduction from previous week (May 20).	Carloadings will continue to reflect general business betterment (May 15); retail sales are better. Collections are being pushed more successfully (May 22).	April improvement in carloadings impressive; misc. freight played important part in upturn; high rates borne by misc. and mdse. groups make them particularly important from revenue standpoint (May 22).	Carloadings for week ending May 13 promise to exceed by small margin loadings of same week last year; broad forward movement in trade taking place, backed up by improving volume at retail (May 19).
AGRICULTURE	Building contracts awarded in 37 states in April rose to highest monthly figure this year; gain exceeded average seasonal rise; amounted to 10.4% (May 13).	Our frequent mention that building would tend to lag is confirmed; now is favorable time to build if one looks to future (May 15).	Building continues to decline against seasonal; building will pick up more slowly than other industries until Government actually initiates proposed public works program (May 15).	Due to fact that market for new capital still largely closed, new construction contracts for "heavy" projects remain at low level, but April residential building almost 20% above March (May 19).
COMMODITY PRICES	If price fixing provision of Farm Act put into effect, outcome will be disastrous inflation of all prices, or curtailment of all purchasing power, or failure of plan to work (May 6).	Babson Agricultural Index rose 15% past month; sensational advances in wheat and other grains (May 22); agricultural price advance may be irregular but should proceed further (May 8).	Governmental aid in refinancing mortgages under provision of Farm Bill should go far toward creating better spirit among farm population; final effects of this radical legislation conjectural (May 8).	Questionable if President will find it necessary to use any of powers to control farm prices if upward movement in farm products continues somewhat further (May 19).
FOREIGN TRADE AND CONDITIONS	If inflationary efforts should actually come to pass, price movement would be upward in all commodities regardless of seasonal or other factors (Apr.).	Babson Industrial Index on May 1 about 1% above April 1; hides, cotton goods, wool, rubber, non-ferrous metals advanced; though sharp setbacks possible, trend in wholesale prices will be upward (May 22).	Administration's drive for rising prices will be vigorously prosecuted; some agricultural items may have already experienced bulk of rise; other commodities may still rise materially (May 15).	Wheat and cotton have reached new highs for current movement; higher prices than those now prevailing will be witnessed in near future for wheat, cotton and corn (May 12).
LABOR AND WAGES	Germany will continue to face uncertain economic and political future until solutions of her major problems—balance of payments and unemployment—are found (May 20).	U. S. going off gold resulted in lower price for dollar, higher level for foreign exchanges; France and other countries on gold will probably also abandon gold standard (May 15).	World disarmament message by Roosevelt last week, followed by conciliatory speech to Reichstag by Hitler, gives renewed hope that Geneva Conference will not fail (May 22).	Abandonment of gold standard in U. S. should greatly facilitate readjustment of currency values to changed conditions, needed by world; once balance achieved, great worldwide recovery in prospect (May 12).
	Fundamental factors that determine proper level of wages indicate wages now over-deflated compared with price level; business recovery awaits adjustment of prices to present wage level (May 20).	Nation-wide gains in employment and payrolls in various manufacturing industries during April, contrary to usual seasonal declines, furnished unanswerable proof of fundamental business improvement (May 22).	April employment reports just released show substantial pickup, contrary to usual seasonal trend (May 22).	Reports from many sections of country reflect rising employment and all current indications point to further gains in trade activity during coming weeks (May 19).

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NEWS AND FORECASTS

1933

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By M. RODGERS LINDSAY
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SILBERLING RESEARCH CORPORATION

Vast revolution now occurring in U. S.; capital financing, agriculture, industry being placed under control of Washington; desperate entry of State into business (May 20).

We are now being driven into second and dangerous stage of inflation because we have no liquid banking system left, no balanced budget or sufficient taxing power to hold borrowing in check (Apr. 29).

Stock market gave every indication this week of having reached stage of exhaustion; advance built thus far on little more than public's desire to protect itself against threat of inflation (May 20).

Steel industry has catered quickly to speculative requirements; barring extraordinary political developments or new war, some let-down can be expected. Decided reversal in automobile industry in prospect (May 20).

Trend in carloadings not yet definitely upward; as nothing important has yet happened regarding basic railway problem of impossible debt, rise in net earnings in near future not probable (May 20).

Total contracts awarded showed little change in April; while residential building had fair seasonal spurt, commercial-industrial, public works and utility groups reached new low levels (May 20).

Winter wheat crop nearly 30% below that of last year and over 40% under five year average now indicated; existing situation favors further price advances as broad trend (May 13).

Thus far, prices of raw materials have advanced in U. S. faster than price of gold foreign exchange; if this continues, it will not be well for our exports (May 13).

Unless Congress provides sanctions sufficient to bring disarmament beyond level of mere talk, foregone conclusion World Economic Conference will be merely debating society; chaos will be intensified (May 20).

If labor is to be put to work to prevent social disturbances, it will have to be put on jobs which do not require the elaborate advance planning inherent in building projects (May 20).

CLEVELAND TRUST COMPANY

Widespread enthusiasm over prospects of inflation is likely to constitute serious barrier against sound business expansion (May 15).

First essential of sound money relinquished by suspending convertibility into gold; second requisite almost abandoned by failure to provide adequate control of new money created (May 15).

If serious money devaluation in prospect, bonds decline; on other hand, depreciated bonds may rise because impending inflation appears to improve prospects that corporations can survive (May 15).

If public believes money is going to be worth progressively less in future, will not be possible for corporations to finance new construction by floating bonds (May 15).

Contractor would be foolish to bid on extensive construction project, for if prices of material and labor should advance rapidly during work, his contract might well ruin him (May 15).

New farm act to make farming profitable and debts easy to pay by raising farm prices; history shows unchanging price relationships between groups not possible (May 15).

Prices rising due to buying because of fear money will be worth less in future; such advance offers speculative opportunities, but eventually penalizes every form of thrift (May 15).

In England, since abandonment of gold standard, prices have changed little but England has not permitted any important expansion of her paper currency (May 15).

Law has been passed providing for employment of men for reforestation work; recruiting of workers has already begun; measure expected to provide employment for about 250,000 men (Apr. 24).

GUARANTY TRUST COMPANY

Our business structure has been readjusted and reorganized to point where, barring unforeseen adverse developments, measure of revival may occur in not distant future (Apr. 24).

Efforts at monetary manipulation still in realm of dangerous experiments; inflationary schemes must inevitably hamper rather than promote business recovery (Apr. 24).

After initial rise following bank holiday, securities declined; reaction was followed by advance, which upon declaration of gold embargo, developed boom proportions (Apr. 24).

In March, steel ingot production, pig iron production, automobile production, bituminous coal production declined contrary to usual seasonal movement (Apr. 24).

In March, index of railway freight carloadings at 50.6 as against 55.3 in February and 61.7 in March year ago (Apr. 24).

Refinancing of mortgages on homes and farms would prevent many foreclosure sales and relieve downward pressure on real estate values (Apr. 24).

Dept. of Agriculture reports legalization of beer will not increase farm income greatly in view of huge surplus of farm products and excessive acreage under cultivation (Apr. 24).

Recent price advances would be more reassuring if they did not have appearance of being due in part at least to persistent threat of currency inflation (Apr. 24).

Practically every industrial nation operating behind wall of tariffs, and trade agreements; interference with natural flow of goods and disorganization of industrial structures has resulted (Apr. 24).

Disorder in exchanges since 1929 and especially since 1931 has demonstrated that currencies without common standard inevitably fluctuate in relation to each other with chaos in trade a result (May).

NATIONAL CITY BANK

Amid all inflation talk, genuine improvement of business should be recognized; problem of getting out of depression not one of applying stimulus but of removing obstacles (May).

Trade not using money already at its disposal; should further issues of currency be made, they would not stay in circulation but would probably pile up further in banks (May).

Before depreciation in dollar occurred, stock prices had begun orderly upward movement; afterwards they rose sensationaly, discounting steps taken in direction of inflation (May).

Steel mill operations have had pronounced revival; automobile production has increased sharply; both automobile and steel gains mainly seasonal in character (May).

Merchandising carloadings have increased for five consecutive weeks; this seasonal gain encouraging inasmuch as it did not appear last year. Mercantile trade has improved (May).

Building continues to be chief laggard among industries; during first part of April, figures showed no improvement; level of activity but half that of last year (May).

Short wheat crop in U. S. this year will help world situation next season; European countries will harvest about same acreage of Winter wheat as last year (May).

Commodity price gains centered where will do most good, i. e., in farm products and industrial raw materials; advance not solely due to inflationary developments (May).

Disorder in exchanges since 1929 and especially since 1931 has demonstrated that currencies without common standard inevitably fluctuate in relation to each other with chaos in trade a result (May).

A. F. of L. gives notice it will demand wage advances to correspond with rise of cost of living from inflation; confusion would result; only remedy for unemployment is orderly readjustment in industry (May).